

MANAGEMENT IMPROVEMENT

Implementation of Divisional Medicaid Indirect Cost Rates

#35 SENT

IMPACT

- | | |
|---|---|
| <ul style="list-style-type: none"> • Reduction in staff time • Consistent cash flow | <p>Less staff time is required to calculate Medicaid Reimbursement rates</p> <p>Billing for services in the new federal fiscal year to occur no later than 2 months after FFY has begun</p> |
|---|---|

The Issues

- Significant lag between the date Medicaid rates expire and when new rates are submitted and approved.
- Interruption in Medicaid Fee for Service cash flow.
- Need to calculate new indirect rates for each new DSCYF mid-year Medicaid rate computation.

The Goal

- Reduce the amount of time between availability of data to calculate Medicaid rates and their approval by Medicaid and reduce the CRU staff time necessary to calculate the rates.

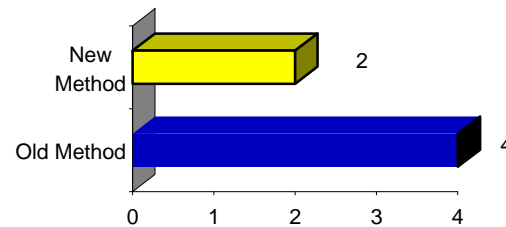
The Intervention

- Developed a single divisional indirect cost rate for each DSCYF direct service division that can be applied to all direct services in that division for that year.

The Results

- Staff time needed to develop rates reduced by 50%; lag time to create and submit rates to Medicaid cut in half (from 4 months to 2 months); billing for services in the new rate period expedited, reducing or eliminating the interruption in cash flow.
- This single indirect cost rate can easily be applied to new mid-year Medicaid rates.

Months Required To Set Rates



NARRATIVE SUMMARY

Under Medicaid (MA) rate setting guidelines, state agencies which provide MA services are allowed to include a portion of their administrative costs in their Medicaid rates. This acknowledges the fact that there are other legitimate costs (payroll, accounting, personnel support, etc) in addition to the direct costs, that can be reimbursed. In the past, DSCYF allocated these administrative costs down to the level of each provider, taking into account our actual utilization (i.e. the more we spend on a provider, the more administrative costs we include in their Medicaid rate). While this is an accurate and accepted method of allocating administrative costs, the data gathering and calculations are very time consuming. The newly approved methodology creates a single administrative indirect cost rate (expressed as a percentage) for each DSCYF division, which is applied to all services and providers within that division. The reduction in the amount of time needed to calculate the rates and submit them to Medicaid will translate into shorter turnaround time for Medicaid approval and for billing, resulting in no or minimal interruption in cash flow for DSCYF Fee-For-Service MA claims.